Order 2001-6-10 Served: June 15, 2001



UNITED STATES OF AMERICA DEPARTMENT OF TRANSPORTATION OFFICE OF THE SECRETARY WASHINGTON, D.C.

Issued by the Department of Transportation on the 15th of June, 2001

INTRA-ALASKA BUSH AND
MAINLINE MAIL RATES

Dockets OST-95-405-94 & OST-95-429-145

ORDER UPDATING RATE FOR QUARTERLY FUEL COSTS

Summary

By this order the Department is increasing the linehaul portion of the Intra-Alaska bush mail rate by 0.04% ¹ from the current rate set by Order 2001-3-11, served March 15, 2001. For the mainline, we are decreasing the rate by 1.34% from the current rate ¹ set by Order 2001-3-11. Both rates are due to expire on June 30, 2001. The new bush and mainline rates are to be effective July 1, 2001, and reflect fuel expenses for the QE March 31, 2000, consistent with the methodologies established in Orders 99-12-15 and 2000-5-30.

Background

By Order 2000-11-9 the Department established final mail rates for carriage of <u>mainline</u> mail for the period October 1, 2000, through September 30, 2001, but provided for the quarterly update of the rate for changes in fuel costs. Order 2001-3-11 updated that annual rate to reflect QE December 31, 2000, fuel costs, and this order is again updating the annual mainline rate to reflect QE March 31, 2001, fuel costs.

Order 2001-3-11 ² finalized the mail rates tentatively set by Order 2001-1-12 for carriage of <u>bush</u> mail for the period April 1, 2001, through March 31, 2002, but provided for the quarterly update of the rate for changes in fuel costs. As with the mainline, Order 2001-3-11 updated the annual rate tentatively set by Order 2001-1-12 to reflect

¹ Our policy is to update the annual rate quarterly for changes in fuel costs, based on reported quarterly fuel cost with a one-quarter lag.

² Order 2001-3-11 both finalized the bush rate tentatively set by Order 2001-1-12 and updated both the mainline and bush mail rates for quarterly changes in fuel costs.

QE December 31, 2001, fuel costs, and this order is again updating the annual bush rate to reflect QE March 31, 2001, fuel costs.

The Department has stated that we would continue this quarterly update of fuel indefinitely. Since the carriers' traffic and financial data are reported 45 days after the end of the accounting period, we will continue to make quarterly adjustments with a one-quarter lag between the end of the reporting period and the effective date of the rate.

For the mainline carriers, the data in Appendix C show that fuel costs for the mainline have decreased to \$.227323 per ATM from the \$.236351 rate in Order 2001-3-11. This produces a 1.34% decrease in the overall mainline linehaul mail rate as shown in Appendix A. For the bush carriers, the data in Appendix C show that fuel costs for the bush have increased to \$95.53 per block hour from the \$95.35 rate in Order 2001-3-11. This produces a 0.04% increase in the overall bush linehaul mail rate as shown in Appendix B.

The terminal portion of the mail rate is unaffected by our update of the linehaul for quarterly fuel costs for the bush or the mainline, but for easy reference we have included them in Appendix A. The next adjustment for fuel costs for mainline and bush carriers would be based on QE June 30, 2001, data and would be effective for the period October 1, 2001, through December 31, 2001.

ACCORDINGLY,

- 1. For the mainline carriers, we fix, determine, and publish the proposed final rates specified in Appendix A (mainline), to be effective for the period beginning July 1, 2001, until further Department action;
- 2. For the bush carriers, we fix, determine, and publish the proposed final rates specified in Appendix A (bush), to be effective for the period beginning July 1, 2001, until further Department action; ⁴
- 3. For the bush and mainline mail rates, we update Order 2001-3-11 to reflect fuel costs reported for the QE March 31, 2000;
- 4. These dockets shall remain open until further order of the Department;
- 5. We will serve this order upon all parties on the Service List for this Docket; and

³ The mainline fuel update methodology continues the weighting of linehaul costs by amount of mail carried, as determined in Order 2000-11-9.

⁴ We have issued a notice requesting comments on several major mail rate issues. After reviewing those comments, we <u>may</u> make changes in the bush mail rate in the upcoming year.

6. We are issuing the quarterly fuel updates on a final basis. Consistent with our rules, parties will have twenty days from the date of service of this order to petition the Department for reconsideration of the quarterly fuel update.

By:

Susan McDermott

Deputy Assistant Secretary for Aviation And International Affairs

(SEAL)

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INTRA ALASKA BUSH MAIL

Prior Orders: 2001-3-11 and 2000-1-12
To be Effective: July 1, 2001, through September 30, 2001

Linehaul Charge per Billing Ton-Mile	Base Year Rates 1/ \$5.9525	Adjustment Eactors 83.19% 2/	New Final Rate 3/	Current Rate Order 2001-3-11 \$10.9002 5/	Percentage Increase 0.04%
Linehaul Charge per Billing Ton-Mile	\$5.9525	83.19% 2/		\$10.9002 5/	0.0
Terminal Charge per Pound Originated	\$0.2217	63.01%	\$0.3614 4/	\$0.3614	0.00%

^{1/} Appendix E, Order 90-10-34.

^{2/} Appendix B to this order.
3/ Column 1 increased by column 2.
4/ Order 2001-1-12, Appendix A

^{5/} This rate never became final because it included the QE 9/30/2000 fuel costs for illustrative purposes, which we have now updated.

INTRA-ALASKA BUSH MAIL

Percentage Change from Base Year	Unit Cost per Hour FuelNonfuelTot \$261.57 1/	Base Year Ended 9/30/80
83.12%	\$95.35 2/ \$383.63 2/ \$478.98	Unit Costs QE 12/31/00
83.19%	\$95.53 3/ \$383.63 2/ \$479.16	Unit Costs QE 3/31/01

^{1/} Order 90-10-34, Appendix B.
2/ Order 2001-3-11, Appendix B (Bush).
3/ Appendix C (Bush) to this order.

Intra-Alaska Bush Mail--Quarter Ended March 31, 2001

Summary of Carriers' Fuel Portion of Linehaul Expenses

	24 .	23 .	22 .	21 .	20 .	19.	18.	17	16.	15.	14.	13.	12.	11.	10.	9.	∞ ·	7.	6.	5	4	<u>ယ</u>	2.	-	
Total Fuel Expense	Yute	Wright	Wings	Warbelows	Temsco	Taquan 2/	Tanana	ProMech	Peninsula	MarkAir	Larrys	Ketchikan	Hageland	Grant	Frontier	ERA-Bush 1/	C. Smythe	Camai	Bering	BellAir	Baker	Arctic Tpt.	Arctic Circle	A. Island Air	
\$5,272,263	\$92,491	\$140,322	\$43,267	\$247,722	\$0	\$0	\$113,799	\$60,596	\$1,289,985	\$0	\$158,071	\$0	\$620,856	\$429,041	\$545,076	\$403,570	\$112,480	\$66,709	\$462,954	\$63,001	\$59,720	\$162,637	\$199,966	\$0	Fuel Expense
55,187	1,636	2,013	1,082	3,602	0	0	2,609	1,116	9,829	0	2,341	0	6,149	4,437	4,648	3,207	2,224	1,314	3,402	845	863	1,847	2,023	0	Block Hours
\$95.53	\$56.53	\$69.71	\$39.99	\$68.77	\$0.00	\$0.00	\$43.62	\$54.30	\$131.24	\$0.00	\$67.52	\$0.00	\$100.97	\$96.70	\$117.27	\$125.84	\$50.58	\$50.77	\$136.08	\$74.56	\$69.20	\$88.05	\$98.85	\$0.00	Unit Costs

Includes expenses reported for Twin Otters only.
 Taquan is no longer a 401 carrier.

INTRA-ALASKA MAINLINE MAIL

Prior Orders: 2001-3-11 and 2000-11-9
To be Effective: July 1, 2001, through September 30, 2001

	(1)	(2)	(3)	(4)	(5)
	Base Year Rates 1/	Adjustment Factors_ 2/	New Rate 3/	Current Rate Order 2001-3-11	Change from Prior Rate
Linehaul Charge	Linehaul Charge per Billing Ton-Mile				
Priority Non-priority	\$1.1969 \$.7246	66.22% 66.22%	\$1.9895 \$1.2044	\$2.0165 \$1.2208	-1.34% -1.34%
Terminal Charge	Terminal Charge per Pound Originated				
Priority	\$.1697	53.89%	\$.2612 <i>4/</i>	\$.2612	0.00%
Non-priority	\$.1458	53.89%	\$.2244 4/	\$.2244	0.00%

^{1/} Per Order 82-11-23
2/ See Appendix B (Mainline) to this order.
3/ Column (1) increased by column (2).

^{4/} Per Order 2000-11-9.

INTRA-ALASKA MAINLINE MAIL COST ADJUSTMENT FACTORS

Percentage Change from Base Year	Unit Cost per Available Ton-Mile Fuel Nonfuel Tot \$.399469	Base Year Ended 9/30/80
68.48%	\$.236351 1/ \$.436691 1/ \$.673042	Unit Costs QE 12/31/00
66.22% 3/	\$.227323 2/ \$.436691 1/ \$.664014	Unit Costs QE 3/31/01

^{1/} Per Order 2001-3-11, Appendix B (Mainline)
2/ Appendix C (Mainline) to this order.
3/ \$.673042/\$.399469

Appendix C Mainline

Intra-Alaska Mainline Mail -- Quarter Ended March 31, 2001

As-flown, Intra-Alaska RTMs of Mail RTM Percent of Total Wtd. Cost per ATM, Fuel	Intra-Alaska Skd. Available Ton-Miles Unit Cost per ATM, Fuel	Intra-Alaska Fuel Linehaul Expense	Intra-Alaska Skd. Block Hours Domestic Total 1/	Domestic Fuel, Linehaul 1/	
1,433,174 33.62% \$0.062538	19,623,086 \$.186015	\$3,650,188	4,179 5,259	\$4,593,524	#621 B-737-2C
202,166 4.74% \$0.006771	10,485,675 \$.142847	\$1,497,846	2,234 36,556	\$24,509,971	Alaska Airlines (AS) #617 _737-400
10,325 0.24% \$0.000428	948,875 \$.178348	\$169,230	213 27,094	\$21,526,334	mes (AS) #655 MD-80
980,113 22.99% \$0.068974	4,092,950 \$.300017	\$1,227,955	623 750	\$1,478,277	Northern #711 B-727 LINEHAUL COSTS
738,570 17.33% \$0.054854	3,117,340 \$.316524	\$986,712	1,233 1,441	\$1,153,165	Northern Air Cargo (NAC) #711 #216 B-727 DC-6 COSTS
898,081 21.07% \$0.033758	2,494,760 \$.160219	\$399,709	408 731	\$716,145	Lynden (LAC) #556 Hercules
4,262,429 100.00% \$0.227323	40,762,686 \$.194581	\$7,931,640			Grand Total

^{1/} ACE and NAC had no international operations; Alaska Airlines separately reported its international operations.

Source: Carrier internal reports and Form 41.